

Message Text

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SUBJ: MARCH '78 MINING EQUIPMENT MISSION

REF: STATE 77858

1. TUNIS JOINS CAIRO IN REGRETTING CHANGE OF PROPOSED ACTIVITY FROM SEMINAR MISSION TO TRADE MISSION. ALTHOUGH IMMEDIATE SALES PROSPECTS ARE REASONABLE IN MINING EQUIPMENT, UNIQUE CONTRIBUTION OF U.S. WOULD BE EXPOSITION THROUGH SEMINAR PRESENTATIONS OF TECHNOLOGY NOT AVAILABLE FROM OTHER SUPPLIERS. IN ADDITION, TUNISIAN AUDIENCE IS MORE RECEPTIVE, IN OUR EXPERIENCE, TO THE SEMINAR APPROACH THAN TO TRADITIONAL COMMERICAL EVENTS. NEVERTHELESS, MISSION WILL BE WELL-RECEIVED BY TUNISIANS WHO OFFER INTERESTING MARKET POSSIBILITIES.

2. FOLLOWING RESPONSES KEYED TO PARA 4 REFTEL:

A. MISSION SHOULD CONCENTRATE ON TUNIS AND HAVE AT LEAST TWO FULL DAYS FOR APPOINTMENTS. HOWEVER, LITTLE OR NO MINING TAKES PLACE AROUND TUNIS AND IT WOULD BE DESIRABLE FOR MISSION MEMBERS TO BEGIN THEIR STAY IN TUNISIA BY VISITING THE PRINCIPAL PHOSPHATE MINING AREAS NEAR GAFSA/TOZEUR IN THE SOUTH. A TOUR COULD BE ARRANGED WITH THE STATE PHOSPHATE MINING COMPANY IF DESIRED. TWO DAYS SHOULD BE ALLOCATED FOR BRIEFINGS AND THE FAMILIARIZATION VISIT TO THE SOUTH FOUR OR FIVE DAYS TOTAL IN TUNISIA.

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B. SUGGESTED THEME: QUOTE MODERNIZATION AND MECHANIZATION OF THE MINES UNQUOTE. TUNISIA'S MINING SECTOR IS DIVIDED INTO TWO MAIN COMPONENTS: (1) PHOSPHATE MINING, BY FAR THE MOST IMPORTANT, BENEFITTING FROM HEAVY GOVERNMENT INVESTMENTS IN EQUIPMENT AND PHOSPHATE PROCESSING PLANTS; (2) FERROUS AND NON-FERROUS ORE SUCH AS LEAD, ZINC, BARYTIME AND FLOURINE, WHICH UNTIL RECENTLY WAS NEGLECTED FOR LACK OF FUNDS, EQUIPMENT AND TECH-

NICIANS. IN FACT, SOME OF THE MINES WERE CLOSED FOR LACK OF FUNDS AND ONLY THE MOST IMPORTANT AND MOST PROFITABLE MINES REMAINED ACTIVE. THE FIVE-YEAR DEVELOPMENT PLAN (1977-81) PROVIDES FOR THE INVESTMENT OF 120 MILLION DINARS, ABOUT 280 MILLION DOLLARS, IN MINING (MOSTLY PHOSPHATES) A LARGE PART OF WHICH SHOULD COME FROM FOREIGN SOURCES. THIS INVESTMENT SHOULD MAKE IT POSSIBLE TO DOUBLE THE PRODUCTION BY 1981. C. THE MISSION SHOULD COVER EQUIPMENT NEEDED MAINLY IN OPEN-PIT MINING, SUCH AS BULLDOZERS, SCRAPERS, TRACTORS, CONVEYOR BELTS, BUT UNDERGROUND MINING AND SUSTAINING EQUIPMENT COULD ALSO FIND AN INTERESTED CLIENTEL. THERE IS AN AN URGENT NEED FOR MODERNIZING THE MINES. OF PARTICULAR INTEREST TO TUNISIAN OFFICWALS ARE THE COMPLETELY MECHANIZED AND AUTOMATED SYSTEMS WHICH WOULD MAKE MINING PROFITABLE. POLLUTION CONTROL FOR BOTH ATMOSPHERIC POLLUTANTS AND POLLUTION BY THE RESIDUES IS RECEIVING INCREASING ATTENTION BY THE GOT, CREATING A MARKET FOR POLLUTION CONTROL EQUIPMENT. EXCEPT FOR A FEW PHOSPHATE MINES, VERY LITTLE HAS BEEN DONE TO REPLACE OLD AND DEPRECIATED EQUIPMENT. TUNISIAN TECHNICIANS APPRECIATE THE QUALITY AND LONGEVITY OF US-MADE EQUIPMENT, ALTHOUGH THEY SAY IT IS EXPENSIVE. THE MAIN OBSTACLE TO SELLING MINING EQUIPMENT IN TUNISIA IS THAT MINING OFFICIALS, PERMANENTLY SHORT OF SUFFICIENT FUNDS, ARE OFTEN FORCED TO BUY EQUIPMENT THEY NEED IN THE COUNTRIES WHICH PROVIDE LONG TERM, LOW COST FINANCING AND TRAINING. THIS IS THE CASE WITH WESTERN EUROPEAN COMPETITORS SUCH AS FRANCE, AUSTRIA, GERMANY. IN ADDITION, RECENT EFFORTS TO SELL PHOSPHATE ROCK AND DERIVATIVES

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(PHOSPHORIC ACID, FERTILIZERS) IN THE FACE OF FALLING GLOBAL DEMAND HAS LED THE GOT TO ARRANGE QUASI-BARTER ARRANGEMENTS WITH EAST EUROPEAN COUNTRIES. US EQUIPMENT IS DOING WELL, HOWEVER, THANKS TO ITS GOOD REPUTATION FOR QUALITY, LONGEVITY AND ADEQUATE SERVICE. LATTER FACTOR EXTREMELY IMPORTANT AS NOTED BY RABAT. EAST EUROPEAN EQUIPMENT HAS POOR SERVICE AND PARTS REPUTATION AND THUS WILL BE BOUGHT BY EQUIPMENT USERS ONLY UNDER EXTENUATING CIRCUMSTANCES, I.D., CONCESSIONED CREDIT TERMS. MISSION MEMBERS SHOULD STRESS RELIABILITY OF EQUIPMENT AND AVAILABILITY OF PROMPT AND EFFECTIVE SERVICE AND SPARES.

D. STATISTICS SHOW THAT THE US EXPORTS OF MINING EQUIPMENT TO TUNISIA ARE IMPROVING. FOR DRILLING AND BORING EQUIPMENT, IN 1975, THE US RANKED THIRD WITH \$276,000, 25 PERCENT OF THE TOTAL; IN 1976, THE US CAME ON TOP AS FIRST SUPPLIER WITH \$1,267,000, 33 PERCENT OF THE TOTAL. FOR EXTRACTION, LEVELLING AND EXCAVATING EQUIPMENT, IN 1975 THE US RANKED SECOND WITH \$745,000, 26 PERCENT OF THE TOTAL; IN 1976 BECAME THE LEADING SUPPLIER WITH \$5,003,650, 31 PERCENT OF THE TOTAL.

E. THERE ARE NO UNUSUAL ASPECTS TO PRICING OF MINING EQUIPMENT. PRICES MUST OBVIOUSLY COMPARE FAVORABLY TO THOSE OFFERED BY THE COMPETITION. THERE ARE NOT CUSTOMS DUTIES OR OTHER IMPORT TAXES ON THIS EQUIPMENT APART FROM A

CUSTOMS FORMALITIES FEE OF 40 MILLIMES (9 CENTS) PER TON.

F. SEE "C".

G. NO CONFLICTING EVENTS AT PRESENT TIME. MISSION SHOULD AVOID MARCH 20TH TUNISIAN INDEPENDENCE DAY.

H. SEE "B". MINING IS A KEY SECTOR IN 5TH PLAN, PARTICULARLY PHOSPHATES. GOT HAS HEAVILY INVESTED IN PHOSPHATE SECTOR AND WILL BE REQUIRED TO CONTINUE TO EMPHASIZE SECTOR IN ORDER TO ASSURE ADEQUATE RETURNS ON SUNK COSTS. TWO MAJOR PHOSPHATE MINING PROJECTS ARE UNDERWAY - A LONG WALL UNDERGROUND MINE (SEHIB) WITH GERMAN TECHNOLOGY WHICH IS HAVING SERIOUS START-UP PROBLEMS AND AN OPEN-PIT MINE (KEF-CHFAIER) WHICH IS CONSTANTLY EXPANDING PRODUCTION ALTHOUGH USING INEFFICIENT EQUIPMENT (E.G., 10-TON TRUCK CARRYING ORE FROM SITE TO PROCESSING). OTHER MINING SECTORS SHOULD BE VIEWED AS SIMPLY PERIPHERAL TO PHOS-
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PHATES ALTHOUGH SOME MODEST INVESTMENT AND MODERNIZATION PROGRAMS ARE UNDERWAY.

8. WORLD BANK IS MAJOR PARTICIPANT IN FINANCING OF THE SEHIB MINE (\$42 MILLION IBRD LOAN). KUWAIT AND SAUDI ARABIA ARE FINANCING ROLLING STOCK FOR RAILWAY DEPENDENT ON PHOSPHATE MINING COMPANY.

J. NO RELEVANT FOR TRADE MISSION.

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